

**INDIVIDUAL INCOME TAX - EARNED
INCOME TAX CREDIT**

2005 GENERAL SESSION

STATE OF UTAH

Sponsor: Thomas V. Hatch

LONG TITLE

General Description:

This bill amends the Individual Income Tax Act to provide for a state earned income tax credit.

Highlighted Provisions:

This bill:

- ▶ allows certain taxpayers to claim a nonrefundable state earned income tax credit;
- ▶ requires the Division of Finance to make transfers from the General Fund to the Uniform School Fund equal to the amount of state earned income tax credit claimed; and
- ▶ grants rulemaking authority to the State Tax Commission to provide procedures for reporting the amount of state earned income tax credit claimed to the Division of Finance.

Monies Appropriated in this Bill:

None

Other Special Clauses:

This bill has retrospective operation for taxable years beginning on or after January 1, 2005.

Utah Code Sections Affected:

ENACTS:

59-10-136, Utah Code Annotated 1953



Be it enacted by the Legislature of the state of Utah:

Section 1. Section **59-10-136** is enacted to read:

59-10-136. Nonrefundable earned income tax credit -- Division of Finance to transfer from the General Fund into the Uniform School Fund an amount equal to the amount of state earned income tax credit claimed -- Commission rulemaking authority.

(1) (a) Except as provided in Subsection (1)(b), for taxable years beginning on or after January 1, 2005, a taxpayer may claim as provided in this section a nonrefundable earned income tax credit equal to 5% of the amount the taxpayer is allowed as a federal earned income tax credit in accordance with Section 32, Internal Revenue Code, for the taxable year.

(b) Notwithstanding Subsection (1)(a), a taxpayer may not claim an earned income tax credit under this section if the taxpayer's federal adjusted gross income, as defined in Section 62, Internal Revenue Code, is greater than:

(i) \$12,500 for a taxpayer other than a:

(A) husband and wife filing a single return jointly; or

(B) head of household; or

(ii) \$25,000 for a:

(A) husband and wife filing a single return jointly; or

(B) head of household.

(2) A taxpayer may not carry forward or carry back any earned income tax credit allowed under this section.

(3) (a) Subject to Subsection (3)(b), the Division of Finance shall transfer at least annually from the General Fund into the Uniform School Fund an amount equal to the amount of earned income tax credit claimed under this section.

(b) (i) The commission shall report to the Division of Finance the amount of earned income tax credit claimed under this section.

(ii) In accordance with Title 63, Chapter 46a, Utah Administrative Rulemaking Act, the commission may make rules providing procedures for reporting to the Division of Finance the amount of earned income tax credit claimed under this section.

Section 2. **Retrospective operation.**

This bill has retrospective operation for taxable years beginning on or after January 1,

59 2005.

Legislative Review Note
as of 12-7-04 8:44 AM

Based on a limited legal review, this legislation has not been determined to have a high probability of being held unconstitutional.

Office of Legislative Research and General Counsel

Fiscal Note
Bill Number SB0082

Individual Income Tax - Earned Income Tax Credit*17-Jan-05**2:11 PM*

State Impact

Passage of this bill could result in a General Fund loss of \$2,800,000 in FY 2006 and a loss of \$2,900,000 in FY 2007.

	<u>FY 2006</u> <u>Approp.</u>	<u>FY 2007</u> <u>Approp.</u>	<u>FY 2006</u> <u>Revenue</u>	<u>FY 2007</u> <u>Revenue</u>
General Fund	\$0	\$0	(\$2,800,000)	(\$2,900,000)
TOTAL	\$0	\$0	(\$2,800,000)	(\$2,900,000)

Individual and Business Impact

Eligible individuals could receive an income tax credit of up to 5 percent of the federal earned income tax credit. Actual impact will depend on family size and income levels.

Office of the Legislative Fiscal Analyst